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21 February 1959

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR - Communist China: Khrushchev stated explicitly
[redacted] at a recent reception that the "Chinese
have conceded" to the USSR on the commune issue. They now
realize that the communes are a step in the building of social-
ism, not Communism as originally claimed. Reaffirming the
Soviet doctrine that material abundance is a prerequisite to
full Communism, Khrushchev remarked that the Chinese have
"nothing but rice and blue cotton cloth."

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II. ASIA-AFRICA

Japan - Communist China: Japanese Foreign Ministry of-
ficials consider recent Chinese Communist statements a defini-
tive rejection of Tokyo's overtures for ambassadorial talks.
Chou En-lai's offer on 17 February to trade with small and
medium-sized Japanese enterprises through Japan's leftist

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labor federation has been denounced by Foreign Minister Fujiyama as interference in Japanese internal affairs. 25X1

Indonesia: A major reorganization of the Indonesian Government may be near. The proposed new structure would diminish the importance of political parties while greatly strengthening the roles of President Sukarno and the army. 25X1
The Indonesian Communist party, which cannot afford to oppose either Sukarno or the army, would suffer most.

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Laos: A political crisis is developing in Laos simultaneously with strong bloc pressure arising from Laos' repudiation of the Geneva accords. Prime Minister Phoui is supporting old-line politicians in conflict with young reformers in the cabinet. 25X1

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Ceylon: A one-day general strike is being planned for 23 February by the major leftist opposition party, a Trotskyite group which controls most of Ceylon's urban labor. Some

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leaders of this party apparently intend to instigate violence in the hope of forcing out the Bandaranaike government in the near future.7

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Iran-Oil: The Shah may soon attempt to force the consortium of Western companies operating the country's "nationalized" oil industry to sell Iran a 25-percent interest. The Shah's bargaining position has been strengthened by breaches of the 50/50 profit-sharing arrangement in both Venezuela and the Middle East, and by the recent cut of 18 cents per barrel in the price of Iranian crude, which will reduce Iranian revenue by \$25,000,000 to \$35,000,000 annually

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Caribbean: Meetings planned in Cuba for later this month among leaders of several Latin American Communist parties may concern Communist efforts to control the several "liberation" movements being formed with Cuban Government encouragement to oust "dictators" in the Caribbean area. Communists already control a Nicaraguan exile group formed in Venezuela, and are also reported to have infiltrated a Dominican revolutionary group there.

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II. ASIA-AFRICA

Indonesian Government Reorganization Apparently Near

A major Indonesian Government reorganization may be near which would advance President Sukarno's concept of "guided democracy" by decreasing the powers of parliament and of the political parties, and strengthen the role of the president and the army. The two major non-Communist parties, the National party and the Nahdlatul Ulama, are reported to have "surrendered" to President Sukarno's demand for a return to the 1948 Constitution. This document, which governed Indonesia until 1949, is a highly flexible document under which Sukarno could introduce his plan for a new legislature which would be 50 percent appointive and 50 percent elective.

Although implementation procedure is uncertain, Indonesian sources have speculated that the Constituent Assembly--which has the task of writing a new Constitution--will adopt the 1945 document, parliament will then be disbanded, and a new cabinet formed.

The Communist party, which now is probably the largest in Indonesia and has a good chance of winning a substantial plurality in the next elections, stands to lose most by the reorganization. Since it apparently cannot afford to antagonize either Sukarno or the army, however, it will encourage as much non-Communist opposition as possible; if this fails, it will then go along with the change.

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For months the army has pressed the argument that it must have military assistance to achieve both technical strength }

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[redacted]

and prestige, and that to combat Communist influence in Indonesia, this assistance should come from the West, preferably the United States. The Indonesian Government has recently completed arrangements for the receipt of \$15,000,000 of American military aid in 1959, most of which will go to the army. This is in addition to approximate \$7,000,000 received in 1958.]

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[REDACTED]

Growing Dissension in Laotian Government

{The struggle of old line politicians to check the growing political ascendancy of young reform leaders is jeopardizing the government at a time when Laos is under strong Communist pressure because of its repudiation of the 1954 Geneva accords. Prime Minister Phoui Sanaikone appears to have committed his prestige to the cause of the politicians, and is attempting to split the alliance between the reformist Committee for the Defense of the National Interest (CDNI) and the army.}

{Phoui told the American ambassador on 19 February that the army now considered the CDNI the "military party" and that such an attitude could lead to the virtual elimination of all other parties. He also implied that both Army Chief of Staff Ouan and the Crown Prince wished to see the military take over the government.}

{Phoui reportedly plans to force the issue to a showdown at an early meeting of the Defense Advisory Council by requesting that the military withdraw from active participation in politics. This could include the withdrawal of the three officers now in the cabinet.}

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Soviet Bloc Leaders Apparently Concerned About Position
Of Communist Government of Kerala

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{ Kerala's failure to make significant economic progress is causing some concern to bloc leaders who fear unfavorable repercussions throughout Asia if the Communists lose control of Kerala because of failure to improve economic conditions. The Kerala Government had a good record during its first year in office but has lost prestige since last summer due to its attempts to repress opposition elements and its inability to reduce the state's high level of unemployment. }

{ Any bloc aid intended for Kerala must be negotiated with New Delhi within the framework of general trade and aid agreements. The recent public statement by Namboodiripad, Chief Minister of Kerala that he would seek Soviet assistance for Kerala was widely criticized in India and may have aroused New Delhi's suspicions about bloc plans. Bloc countries have already stepped up their purchases of certain Indian goods produced chiefly in Kerala. }

{ A team of Polish experts reportedly will go to Kerala at the beginning of March to make a survey of business possibilities which might be exploited by Poland. Aid to support the local Communist party in an underdeveloped country is contrary to past practices in the bloc economic offensive. }

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[REDACTED]

Planned General Strike in Ceylon May Cause Violence

[The one-day general strike planned for 23 February by the Trotskyite Lanka Sama Samaja party, the major leftist opposition party in Ceylon, is designed as a protest against the recent passage of a parliamentary bill facilitating the government's use of emergency powers in the case of localized unrest. The party, whose members were evicted from the hall during debate on the bill, fears that its labor wing will be weakened by the government's action. A mass rally held on 18 February by 12 major unions in Colombo pledged support for any action that might be taken to have the government's bill repealed.]

[Though leaders of the Lanka Sama Samaja party reportedly intend the strike merely to protest passage of the bill, certain party members are said to plan to instigate violence between workers and the police. They expect this to inflame popular opinion against the government and to pave the way for efforts to overthrow it in the near future.]

[Should the strike actually occur, military and police forces would probably be able to handle it if it is confined to one day.]

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[REDACTED]

[REDACTED] There is also a possibility that conservative elements, including the Governor General, will take counteraction. Ceylon's security forces might find it difficult to control the situation if the period of unrest is prolonged.]

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III. THE WEST

Latin American Communists Plan Meetings in Cuba

25X1 The Costa Rican and Nicaraguan Communist parties have been asked by a representative of the Cuban Communist party to send delegates to Cuba later this month for meetings that will include several leaders of Latin American Communist parties. [REDACTED] The current "excellent" position of the party in Cuba and its past and present efforts to support and to influence the government of Prime Minister Fidel Castro are to be discussed, as well as plans for the overthrow of the government of Nicaraguan President Somoza.

Communist efforts to exploit Castro's encouragement of the popular upsurge against dictators have become increasingly apparent in recent weeks. Communists have already formed an organization of Nicaraguan exiles in Venezuela which they clearly hope will become the instrument of Nicaragua's "liberation." They are also believed to have considerable influence in a group of Dominican revolutionaries in Venezuela. The Communists apparently feel they stand to gain new prestige as "liberators of the people from US-supported dictators," as well as considerable influence in post-revolutionary governments in Nicaragua and the Dominican Republic.

Plans for meetings in Havana indicate the continuing successful effort of Latin American Communists over the past year to achieve greater liaison--an effort endorsed by Moscow and inspired by sharp Soviet criticism in late 1957. In his report to the Soviet 21st party congress last month, Khrushchev professed to see a "new stage" in the "national liberation movement" and noted specifically its intensification in Latin America. Leaders of the Latin American Communist parties, most of whom were represented at the Soviet party congress, were scheduled to meet in special session with Soviet party leaders, possibly to arrange continued coordination and receive further guidance from Moscow.

[REDACTED]

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